

Message Text

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16

ORIGIN SS-30

INFO OCT-01 ISO-00 /031 R

DRAFTED BY NEA/INS:JELEADER:MMK

APPROVED BY NEA/INS:LBLAINGEN

EUR/CAN:DHOLTON

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R 012317Z MAY 74

FM SECSTATE WASHDC

TO AMEMBASSY COLOMBO

INFO AMEMBASSY OTTAWA

C O N F I D E N T I A L STATE 089716

EXDIS

E.O. 11652:GDS

TAGS: EAID, EFIN, CE

SUBJECT: CEYLONENE FORMAL REQUEST TO CANADA FOR AID

REF: COLOMBO 1166

1. CANADIAN EMBASSY SECOND SECRETARY (INGRID HALL) PHONED SRI LANKA DESK APRIL 30 TO INQUIRE ABOUT APPROACHES USG HAD RECEIVED FROM CEYLONENE FOR SHORT TERM LOANS. SAID CEYLONENE HAD DELIVERED NOTE TO CANADIANS IN OTTAWA ASKING FOR \$25 MILLION IN GRANT, CONCESSIONAL LOAN OR EVEN ON COMMERCIAL TERMS. CANADIANS, ACCORDING TO HALL WERE ALARMED THAT CEYLONENE APPEARED DESPERATE ENOUGH TO UNDERTAKE COMMERCIAL TERMS FOR THIS LARGE AMOUNT. CEYLONENE TOLD CANADIANS THEIR RESERVES WERE INSUFFICIENT EVEN TO MEET COMING MONTH'S SCHEDULED IMPORTS.

2. SRI LANKA COUNTRY OFFICER RESPONDED THAT USG HAD RECEIVED INFORMAL APPROACH IN COLOMBO FROM CEYLONENE AND WE HAD REPLIED THAT WE FELT WE COULD BE MOST HELPFUL BY RESPONDING TO CEYLONENE NEED WITH TRADITIONAL TYPE AID. HALL INDICATED CANADIANS WERE NOT LIKELY TO BE RESPONSIVE TO CEYLONENE NOTE.

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3. IN LIGHT CEYLONese REQUEST TO CANADIANS AND OTHERS,
SRILANKA FINANCIAL SITUATION APPEARS VERY PRECARIOUS IN
SHORT RUN. PLEASE KEEP US INFORMED HOW YOU SEE IT FROM

COLOMBO. WE APPRECIATE EMBASSY EFFORTS KEEP US UP-TO-
DATE ON FINANCIAL DEVELOPMENTS AS YOU DID WITH COLOMBO
1159. WE WOULD APPRECIATE CLARIFICATION AUSTIN FERNANDO
STATEMENT OF PROJECTED IMPORT/EXPORT FIGURES. DID HE
QUOTE RUPEES OR DOLLARS? IF FIGURES QUOTED IN RUPEES,
IMF STANDARD PRACTICE IS TO USE OFFICIAL RATHER THAN
FEEC RATE FOR CONVERSION INTO SDR'S OR DOLLARS. IN
THIS CASE EXTENT OF TRADE DEFICIT WOULD BE EVEN GREATER
THAN \$200 MILLION.

RUSH

NOTE BY OC/T: EXDIS CAPTION ADDED PER R. ELTZ, S/S-O.

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NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LIQUIDITY (MONETARY), CURRENCY LOANS, BANK LOANS
Control Number: n/a
Copy: SINGLE
Draft Date: 01 MAY 1974
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: garlanwa
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1974STATE089716
Document Source: CORE
Document Unique ID: 00
Drafter: JELEADER:MMK
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D740105-0040
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1974/newtext/t19740581/aaaacvqv.tel
Line Count: 76
Locator: TEXT ON-LINE, ON MICROFILM
Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: COLOMBO 1166
Review Action: RELEASED, APPROVED
Review Authority: garlanwa
Review Comment: n/a
Review Content Flags:
Review Date: 15 APR 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <15 APR 2002 by kelleyw0>; APPROVED <23 JUL 2002 by garlanwa>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CEYLONASE FORMAL REQUEST TO CANADA FOR AID
TAGS: EAID, EFIN, CE, US
To: COLOMBO
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005